

**REPORT OF THE AUDIT OF THE
FLEMING COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2012**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
FLEMING COUNTY FISCAL COURT

June 30, 2012

The Auditor of Public Accounts has completed the audit of the Fleming County Fiscal Court for fiscal year ended June 30, 2012.

We have issued unqualified opinions, based on our audit, on the governmental activities, each major fund, and aggregate remaining fund information financial statements of Fleming County, Kentucky.

Financial Condition:

The fiscal court had total net assets of \$6,830,032 as of June 30, 2012. The fiscal court had unrestricted net assets of \$993,295 in its governmental activities as of June 30, 2012. The fiscal court had total debt principal as of June 30, 2012 of \$12,347,649 with \$573,760 due within the next year.

Report Comment:

2012-01 Fiscal Court Should Bid For Projects And Materials When The Costs May Exceed \$20,000

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Larry Foxworthy, Fleming County Judge/Executive

Members of the Fleming County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fleming County, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Fleming County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Fleming County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fleming County, Kentucky, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Larry Foxworthy, Fleming County Judge/Executive
Members of the Fleming County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fleming County, Kentucky's basic financial statements as a whole. The combining fund financial statements and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole. The budgetary comparison information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2013 on our consideration of Fleming County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation included herein, which discusses the following report comment:

2012-01 Fiscal Court Should Bid For Projects And Materials When The Costs May Exceed \$20,000

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', written in a cursive style.

Adam H. Edelen
Auditor of Public Accounts

March 11, 2013

FLEMING COUNTY OFFICIALS

For The Year Ended June 30, 2012

Fiscal Court Members:

Larry Foxworthy	County Judge/Executive
David Deatley	Magistrate
Chris Hickerson	Magistrate
Rickey Lewis	Magistrate
Ray Money	Magistrate
John Sims	Magistrate
James Smoot	Magistrate

Other Elected Officials:

John Price	County Attorney
Tim Cooper	Jailer
Jarrod Fritz	County Clerk
Pam Lowe	Circuit Court Clerk
Scotty Royse	Sheriff
Connie Crain	Property Valuation Administrator
Gary Workman	Coroner

Appointed Personnel:

Kathryn Dryden	County Treasurer
Tammy Gray	Finance Officer
Anthony Vice	Road Supervisor
Jason England	911 Administrator

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FLEMING COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2012

FLEMING COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2012

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,629,080
Total Current Assets	<u>1,629,080</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Construction In Progress	163,895
Land and Land Improvements	1,852,194
Buildings	12,319,208
Equipment	678,354
Vehicles	441,588
Infrastructure	<u>2,093,362</u>
Total Noncurrent Assets	<u>17,548,601</u>
Total Assets	<u>19,177,681</u>
LIABILITIES	
Current Liabilities:	
Revenue Bonds	530,000
Financing Obligations	<u>43,760</u>
Total Current Liabilities	<u>573,760</u>
Noncurrent Liabilities:	
Revenue Bonds	11,710,000
Financing Obligations	<u>63,889</u>
Total Noncurrent Liabilities	<u>11,773,889</u>
Total Liabilities	<u>12,347,649</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	\$ 5,200,952
Restricted For:	
Protection to Persons and Property	347,796
Roads	106,982
Capital Projects	130,728
Debt Service	50,279
Unrestricted	<u>993,295</u>
Total Net Assets	<u>\$ 6,830,032</u>

The accompanying notes are an integral part of the financial statements.

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FLEMING COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2012

FLEMING COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

		Program Revenues Received			
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 1,597,196	\$ 12,329	\$ 193,726	\$ 73,250	
Protection to Persons and Property	1,253,625	44,974	1,049,629		
General Health and Sanitation	30,705				
Social Services	4,952				
Recreation and Culture	37,752				
Roads	1,706,302	2,661	1,378,671	299,147	
Airports	7,500				
Interest On Long-Term Debt	457,051				
Capital Projects	1,081,075				
Total Governmental Activities	6,176,158	59,964	2,622,026	372,397	
Total Primary Government	\$ 6,176,158	\$ 59,964	\$ 2,622,026	\$ 372,397	

General Revenues:

Taxes:
 Real Property Taxes
 Personal Property Taxes
 Motor Vehicle Taxes
 Insurance Premium Taxes
 Other Taxes
Excess Fees
Licenses and Permits
E-911 Fees
Unrestricted Investment Earnings
Miscellaneous Revenues

Total General Revenues
Change in Net Assets
Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

FLEMING COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2012
(Continued)

Net (Expenses) Revenues and Changes in Net Assets	
Primary Government	
Governmental Activities	
\$	(1,317,891)
	(159,022)
	(30,705)
	(4,952)
	(37,752)
	(25,823)
	(7,500)
	(457,051)
	<u>(1,081,075)</u>
	(3,121,771)
	<u>(3,121,771)</u>
	689,934
	47,191
	137,983
	581,411
	168,638
	76,299
	26,865
	338,558
	12,638
	<u>482,314</u>
	2,561,831
	<u>(559,940)</u>
	<u>7,389,972</u>
\$	<u><u>6,830,032</u></u>

The accompanying notes are an integral part of the financial statements.

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FLEMING COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2012

FLEMING COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2012

	General Fund	Road Fund	Dispatch Fund	Capital Improvement Fund	Public Properties Corporation Fund
ASSETS					
Cash and Cash Equivalents	\$ 593,076	\$ 14,011	\$ 346,774	\$ 386,208	\$ 61,412
Total Assets	<u>593,076</u>	<u>14,011</u>	<u>346,774</u>	<u>386,208</u>	<u>61,412</u>
FUND BALANCES					
Restricted For:					
Protection to Persons and Property			346,774		
Roads					
Capital Projects					11,133
Debt Service					50,279
Assigned To:					
Protection to Persons and Property	2,732				
Roads		14,011			
Capital Projects				386,208	
Unassigned	<u>590,344</u>				
Total Fund Balances	<u>\$ 593,076</u>	<u>\$ 14,011</u>	<u>\$ 346,774</u>	<u>\$ 386,208</u>	<u>\$ 61,412</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 1,629,080
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	21,103,656
Accumulated Depreciation	(3,555,055)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Revenue Bonds	(12,240,000)
Financing Obligations	<u>(107,649)</u>
Net Assets Of Governmental Activities	<u>\$ 6,830,032</u>

The accompanying notes are an integral part of the financial statements.

FLEMING COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2012
(Continued)

Non- Major Funds	Total Governmental Funds
<u>\$ 227,599</u>	<u>\$ 1,629,080</u>
<u>227,599</u>	<u>1,629,080</u>
1,022	347,796
106,982	106,982
119,595	130,728
	50,279
	2,732
	14,011
	386,208
	<u>590,344</u>
<u>\$ 227,599</u>	<u>\$ 1,629,080</u>

The accompanying notes are an integral part of the financial statements.

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FLEMING COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

FLEMING COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

	General Fund	Road Fund	Dispatch Fund	Capital Improvement Fund
REVENUES				
Taxes	\$ 1,611,898	\$	\$ 231,756	\$
Excess Fees	76,299			
Licenses and Permits	26,865			
Intergovernmental	378,181	1,549,676	106,802	38,538
Charges for Services	42,514			
Miscellaneous	353,191	7,056	82	80,000
Interest	3,844	1,864	2,304	3,373
Total Revenues	<u>2,492,792</u>	<u>1,558,596</u>	<u>340,944</u>	<u>121,911</u>
EXPENDITURES				
General Government	808,064			
Protection to Persons and Property	499,826	107,692	324,742	
General Health and Sanitation	29,955			
Social Services	4,952			
Recreation and Culture	31,400			
Roads		1,752,806		
Airports	7,500			
Debt Service	14,945			168,900
Capital Projects	34,344			180,676
Administration	756,490	200,982	61,401	
Total Expenditures	<u>2,187,476</u>	<u>2,061,480</u>	<u>386,143</u>	<u>349,576</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>305,316</u>	<u>(502,884)</u>	<u>(45,199)</u>	<u>(227,665)</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds		53,743		
Transfers From Other Funds		162,053		187,947
Transfers To Other Funds	(300,000)			
Total Other Financing Sources (Uses)	<u>(300,000)</u>	<u>215,796</u>		<u>187,947</u>
Net Change in Fund Balances	5,316	(287,088)	(45,199)	(39,718)
Fund Balances - Beginning (Restated)	587,760	301,099	391,973	425,926
Fund Balances - Ending	<u>\$ 593,076</u>	<u>\$ 14,011</u>	<u>\$ 346,774</u>	<u>\$ 386,208</u>

The accompanying notes are an integral part of the financial statements.

FLEMING COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2012
(Continued)

Public Properties Corporation Fund	Non- Major Funds	Total Governmental Funds
\$	\$ 1,231	\$ 1,844,885
		76,299
		26,865
971,178	128,142	3,172,517
	171	42,685
		440,329
	1,253	12,638
<u>971,178</u>	<u>130,797</u>	<u>5,616,218</u>
		808,064
	1,480	933,740
		29,955
		4,952
		31,400
		1,752,806
		7,500
969,178	21,604	1,174,627
2,902,852		3,117,872
3,500	107	1,022,480
<u>3,875,530</u>	<u>23,191</u>	<u>8,883,396</u>
<u>(2,904,352)</u>	<u>107,606</u>	<u>(3,267,178)</u>
		53,743
		350,000
	(50,000)	(350,000)
	(50,000)	53,743
(2,904,352)	57,606	(3,213,435)
2,965,764	169,993	4,842,515
<u>\$ 61,412</u>	<u>\$ 227,599</u>	<u>\$ 1,629,080</u>

The accompanying notes are an integral part of the financial statements.

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FLEMING COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

FLEMING COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ (3,213,435)
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Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	2,777,007
Depreciation Expense	(687,411)
Assets disposed of, net book value	(99,934)

The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.

Financing Obligation Proceeds	(53,743)
Revenue Bond Principal Payments	525,000
Financing Obligations Principal Payments	<u>192,576</u>

Change in Net Assets of Governmental Activities	<u><u>\$ (559,940)</u></u>
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TO THE FINANCIAL STATEMENTS**

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FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Fleming County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government.

Blended Component Unit – Public Properties Corporation

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

Fleming County Fiscal Court appoints the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation. Financial activity for the Public Properties Corporation is blended with Fleming County's financial statements. All activities of the Public Properties Corporation are accounted for within a governmental fund.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Fleming County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Fleming County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Fleming County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Dispatch Fund - The primary purpose of this fund is to account for the dispatch center expenses of the county. The primary sources of revenue for this fund are 911 taxes and surcharges.

Capital Improvement Fund - The purpose of this fund is to account for construction and maintenance costs involving county buildings or properties.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Public Properties Corporation Fund - This fund accounts for the activities of the Fleming County Public Properties Corporation, a blended component unit of the county. The Public Properties Corporation issued debt to build a judicial center. The Public Properties Corporation entered into a contract, lease, and option with the County and Administrative Office of The Courts (AOC), Commonwealth of Kentucky. The Department for Local Government does not require the fiscal court to report or budget these funds.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Forest Fire Fund, and Revolving Loan Fund.

Special Revenue Funds:

The Road Fund, Dispatch Fund, Local Government Economic Assistance Fund, , Forest Fire Fund, and Revolving Loan Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of significant restricted and/or committed revenue sources and expenditures that are legally restricted or committed for specific purposes.

Capital Projects Fund:

The Capital Improvement Fund is presented as a capital projects fund. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities and purchase of capital assets.

Debt Service Fund:

The Public Properties Corporation Fund, are presented as debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the county issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the county has designated the County Judge/Executive to carry out the intent of the fiscal court.

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information (Continued)

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Related Organizations and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, Fleming County Hospital is considered a related organization of Fleming County Fiscal Court.

A jointly governed organization is an entity that results from a multi-governmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility by the participating governments. The jointly governed organization can act independently of each of the participating governments. Based on these criteria, the following are considered jointly governed organizations of Fleming County Fiscal Court: Flemingsburg-Fleming County Industrial Authority, Flemingsburg-Fleming County Recreation Board, Flemingsburg-Fleming County and Ewing Planning Commission, Fleming-Mason Airport Board, Flemingsburg-Fleming County Chamber of Commerce, and the Flemingsburg-Fleming County and Ewing Ethics Board.

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (4). As of June 30, 2012, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Interfund Transfers

	General Fund	Non-Major Governmental Funds	Total Transfers In
Road Fund	\$ 112,053	\$ 50,000	\$ 162,053
Capital Improvement Fund	187,947		187,947
Total Transfers Out	<u>\$ 300,000</u>	<u>\$ 50,000</u>	<u>\$ 350,000</u>

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,812,709	\$ 7,663	\$ (1,600)	\$ 1,818,772
Construction In Progress	9,471,391	163,895	(9,471,391)	163,895
Total Capital Assets Not Being Depreciated	11,284,100	171,558	(9,472,991)	1,982,667
Capital Assets, Being Depreciated:				
Buildings	1,837,009	11,509,736	(62,000)	13,284,745
Equipment	1,417,199	61,629	(148,590)	1,330,238
Land Improvements	45,575			45,575
Vehicles	675,572	64,243	(22,840)	716,975
Infrastructure	3,302,224	441,232		3,743,456
Total Capital Assets Being Depreciated	7,277,579	12,076,840	(233,430)	19,120,989
Less Accumulated Depreciation For:				
Buildings	(798,349)	(211,726)	44,538	(965,537)
Equipment	(639,576)	(88,234)	75,926	(651,884)
Land Improvements	(9,114)	(3,039)		(12,153)
Vehicles	(257,362)	(32,657)	14,632	(275,387)
Infrastructure	(1,298,339)	(351,755)		(1,650,094)
Total Accumulated Depreciation	(3,002,740)	(687,411)	135,096	(3,555,055)
Total Capital Assets, Being Depreciated, Net	4,274,839	11,389,429	(98,334)	15,565,934
Governmental Activities Capital Assets, Net	<u>\$ 15,558,939</u>	<u>\$ 11,560,987</u>	<u>\$ (9,571,325)</u>	<u>\$ 17,548,601</u>
<u>Governmental Activities:</u>				
General Government			\$ 37,002	
Protection to Persons and Property			237,904	
General Health and Sanitation			750	
Recreation and Culture			6,352	
Roads, Including Depreciation of General Infrastructure Assets			405,403	
Total Depreciation Expense - Governmental Activities			<u>\$ 687,411</u>	

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 5. Long-term Debt

A. Capital Lease – Courthouse Renovation

On July 18, 2006 the Fleming County Fiscal Court entered into a lease agreement with Kentucky Area Development District Financing Trust for the renovation of the courthouse. The agreement requires semi-annual interest and principal payments beginning November 1, 2006 with a variable interest rate to be paid in full June 30, 2013. The lease was paid in full as of June 30, 2012.

B. Capital Lease – Case Tractor Loader

On May 1, 2010 the Fleming County Fiscal Court entered into a lease agreement with Trinity, A Division of Bank of the West for the purchase of a 2010 Case 580SM tractor loader. The agreement requires monthly interest and principal payments beginning June 1, 2010 with a 4.88% interest rate to be paid in full March 2014. The principal balance of the agreement was \$28,307 as of June 30, 2012. Lease payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	16,707	1,011
2014	11,600	213
Totals	<u>\$ 28,307</u>	<u>\$ 1,224</u>

C. Mortgage Revenue Bond Anticipation Notes

On May 1, 2010, Fleming Public Properties Corporation issued first mortgage revenue bond anticipation notes in the amount of \$13,510,000. The proceeds of this issue were used to provide funding for financing of the Justice Center project. The notes were issued with a variable interest rate of 1 to 4.25 percent, with a retirement date of November 1, 2029. Semi-annual interest payments are due on November 1 and May 1 of each year and principal payments are annually on November 1 of each year. The principal balance of the agreement was \$12,240,000 as of June 30, 2012. Lease payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	530,000	435,727
2014	545,000	424,978
2015	555,000	412,867
2016	570,000	397,658
2017	590,000	380,258
2018-2022	3,245,000	1,592,840
2023-2027	3,940,000	901,558
2028-2030	2,265,000	125,481
Totals	<u>\$ 12,240,000</u>	<u>\$ 4,671,367</u>

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 5. Long-term Debt (Continued)

D. Capital Lease – Sheriff's Vehicles

On August 31, 2009 the Fleming County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties for the purchase of a vehicle for the Sheriff's office. The agreement requires monthly interest and principal payments beginning October 20, 2009 with a variable interest rate to be paid in full August 2014. The Sheriff's Office makes the debt service payments. The principal balance of the agreement was \$11,875 as of June 30, 2012. Lease payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	5,321	610
2014	5,594	379
2015	960	40
Totals	<u>\$ 11,875</u>	<u>\$ 1,029</u>

E. Capital Lease – Sheriff Vehicles

On June 17, 2011 the Fleming County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties for the purchase of a vehicle for the Sheriff's office. The agreement requires monthly interest and principal payments beginning July 20, 2011 with a 1.85% interest rate to be paid in full May 2014. The Sheriff's Office makes the debt service payments. The principal balance of the agreement was \$16,845 as of June 30, 2012. Lease payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	8,690	329
2014	8,155	105
Totals	<u>\$ 16,845</u>	<u>\$ 434</u>

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 5. Long-term Debt (Continued)

F. Capital Lease – Dump Truck

On March 7, 2012 the Fleming County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties for the purchase of a dump truck. The agreement requires monthly interest and principal payments beginning April 20, 2012 with a variable interest rate to be paid in full March 2016. The principal balance of the agreement was \$50,622 as of June 30, 2012. Lease payments for the remaining years are:

	<u>Governmental Activities</u>	
<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	13,042	2,034
2014	13,370	1,434
2015	13,706	818
2016	10,504	201
Totals	<u>\$ 50,622</u>	<u>\$ 4,487</u>

G. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 12,765,000		\$ 525,000	\$12,240,000	\$ 530,000
Financing Obligations (Restated)	246,482	53,743	192,576	107,649	43,760
Governmental Activities					
Long-term Liabilities	<u>\$ 13,011,482</u>	<u>\$ 53,743</u>	<u>\$ 717,576</u>	<u>\$12,347,649</u>	<u>\$ 573,760</u>

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 32.97 percent.

The county's contribution for FY 2010 was \$275,441, FY 2011 was \$299,463, and FY 2012 was \$330,532.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 6. Employee Retirement System (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Deferred Compensation

On February 24, 2000, the Fleming County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2012, Fleming County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 9. Prior Period Adjustments

Beginning balance for capital assets land was increased \$1,812,709 and the beginning balance land improvements was decreased \$1,812,709, due to a reclassification. The net effect of these adjustments is zero change to the net assets - beginning.

Beginning balance equipment was decreased \$53,085, beginning balance vehicles was increased \$87,985, and beginning balance infrastructure increased \$1,005 due prior period misstatements. The net effect of these adjustments was an increase of \$35,905 to net assets - beginning.

Accumulated depreciation buildings was decreased \$182, accumulated depreciation equipment was decreased \$12,228, accumulated depreciation vehicles was increased \$7,295, and accumulated depreciation infrastructure was increased \$510 due to the misclassification, omission, or erroneous inclusion of assets in the prior year. The net effect of these adjustments was an increase of \$4,605 to net assets - beginning.

Prior year outstanding debt was increased \$8 due a prior year misstatement. The net effect of this adjustment is a decrease of \$8 to net assets - beginning.

Prior year cash balance decreased by \$13 due to a prior year misstatement. The net effect of this adjustment is a decrease of \$13 to net assets - beginning.

Net Assets - Beginning	\$	7,349,486
Net Effect of Adjustment For:		
Asset Beginning Balances		35,905
Accumulated Depreciation		4,605
Outstanding Debt		(8)
Cash Balance		(13)
Rounding		(3)
Net Assets - Beginning (Restated)	\$	<u>7,389,972</u>

**FLEMING COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Supplementary Information**

June 30, 2012

FLEMING COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Supplementary Information

June 30, 2012

	LGEA Fund	Forest Fire Fund	Revolving Loan Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 106,982	\$ 1,022	\$ 119,595	\$ 227,599
Total Assets	<u>106,982</u>	<u>1,022</u>	<u>119,595</u>	<u>227,599</u>
FUND BALANCES				
Restricted For:				
Protection to Persons and Property		1,022		1,022
Roads	106,982			106,982
Capital Projects			119,595	119,595
Total Fund Balances	<u>106,982</u>	<u>1,022</u>	<u>119,595</u>	<u>227,599</u>

The accompanying notes are an integral part of the financial statements.

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FLEMING COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Supplementary Information

For The Year Ended June 30, 2012

FLEMING COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Supplementary Information

For The Year Ended June 30, 2012

	LGEA Fund	Forest Fire Fund	Revolving Loan Fund	Total Non-Major Governmental Funds
REVENUES				
Taxes	\$	\$ 1,231	\$	\$ 1,231
Intergovernmental	128,142			128,142
Charges For Services		171		171
Interest	460		793	1,253
Total Revenues	<u>128,602</u>	<u>1,402</u>	<u>793</u>	<u>130,797</u>
EXPENDITURES				
Protection to Persons and Property		1,480		1,480
Debt Service	21,604			21,604
Administration	107			107
Total Expenditures	<u>21,711</u>	<u>1,480</u>		<u>23,191</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>106,891</u>	<u>(78)</u>	<u>793</u>	<u>107,606</u>
Other Financing Sources (Uses)				
Transfers To Other Funds	(50,000)			(50,000)
Total Other Financing Sources (Uses)	<u>(50,000)</u>			<u>(50,000)</u>
Net Change in Fund Balances	56,891	(78)	793	57,606
Fund Balances - Beginning	50,091	1,100	118,802	169,993
Fund Balances - Ending	<u>\$ 106,982</u>	<u>\$ 1,022</u>	<u>\$ 119,595</u>	<u>\$ 227,599</u>

The accompanying notes are an integral part of the financial statements.

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FLEMING COUNTY
BUDGETARY COMPARISON INFORMATION
Other Information - Modified Cash Basis

For The Year Ended June 30, 2012

FLEMING COUNTY
BUDGETARY COMPARISON INFORMATION
Other Information - Modified Cash Basis

For The Year Ended June 30, 2012

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,442,500	\$ 1,442,500	\$ 1,611,898	\$ 169,398
Excess Fees	125,000	145,743	76,299	(69,444)
Licenses and Permits	25,700	25,700	26,865	1,165
Intergovernmental Revenue	1,091,754	1,161,059	297,366	(863,693)
Charges for Services	125	125	75	(50)
Miscellaneous	309,500	338,829	336,694	(2,135)
Interest	1,250	1,250	3,794	2,544
Total Revenues	<u>2,995,829</u>	<u>3,115,206</u>	<u>2,352,991</u>	<u>(762,215)</u>
EXPENDITURES				
General Government	827,491	971,616	808,064	163,552
Protection to Persons and Property	880,366	886,612	111,159	775,453
General Health and Sanitation	40,388	45,035	29,955	15,080
Social Services	4,500	5,002	4,952	50
Recreation and Culture	76,371	77,271	31,400	45,871
Airports	7,500	7,500	7,500	
Capital Projects	5,000	37,163	34,344	2,819
Administration	894,807	907,238	735,909	171,329
Total Expenditures	<u>2,736,423</u>	<u>2,937,437</u>	<u>1,763,283</u>	<u>1,174,154</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>259,406</u>	<u>177,769</u>	<u>589,708</u>	<u>411,939</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	<u>(759,406)</u>	<u>(759,406)</u>	<u>(581,000)</u>	<u>178,406</u>
Total Other Financing Sources (Uses)	<u>(759,406)</u>	<u>(759,406)</u>	<u>(581,000)</u>	<u>178,406</u>
Net Changes in Fund Balance	<u>(500,000)</u>	<u>(581,637)</u>	<u>8,708</u>	<u>590,345</u>
Fund Balance - Beginning	<u>500,000</u>	<u>581,637</u>	<u>581,637</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 590,345</u>	<u>\$ 590,345</u>

FLEMING COUNTY
BUDGETARY COMPARISON INFORMATION
Other Information - Modified Cash Basis
For The Year Ended June 30, 2012
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,394,834	\$ 1,554,447	\$ 1,549,676	\$ (4,771)
Miscellaneous	8,000	8,000	7,056	(944)
Interest	750	750	1,864	1,114
Total Revenues	<u>1,403,584</u>	<u>1,563,197</u>	<u>1,558,596</u>	<u>(4,601)</u>
EXPENDITURES				
Protection To Persons And Property		107,692	107,692	
Transportation Facilities And Services	20,000	9,293		9,293
Roads	1,714,657	1,863,706	1,752,806	110,900
Administration	238,927	207,348	200,982	6,366
Total Expenditures	<u>1,973,584</u>	<u>2,188,039</u>	<u>2,061,480</u>	<u>126,559</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(570,000)</u>	<u>(624,842)</u>	<u>(502,884)</u>	<u>121,958</u>
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds		53,743	53,743	
Transfers From Other Funds	250,000	250,000	162,053	(87,947)
Total Other Financing Sources (Uses)	<u>250,000</u>	<u>303,743</u>	<u>215,796</u>	<u>(87,947)</u>
Net Changes in Fund Balance	(320,000)	(321,099)	(287,088)	34,011
Fund Balance - Beginning	<u>300,000</u>	<u>301,099</u>	<u>301,099</u>	
Fund Balance - Ending	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ 14,011</u>	<u>\$ 34,011</u>

FLEMING COUNTY
BUDGETARY COMPARISON INFORMATION
Other Information - Modified Cash Basis
For The Year Ended June 30, 2012
(Continued)

DISPATCH FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 222,000	\$ 222,000	\$ 231,756	\$ 9,756
Intergovernmental Revenue	100,000	100,000	106,802	6,802
Miscellaneous	1,000	1,000	82	(918)
Interest	1,125	1,125	2,304	1,179
Total Revenues	<u>324,125</u>	<u>324,125</u>	<u>340,944</u>	<u>16,819</u>
EXPENDITURES				
Protection To Persons And Protection	363,654	367,758	324,742	43,016
Administration	290,471	286,367	61,401	224,966
Total Expenditures	<u>654,125</u>	<u>654,125</u>	<u>386,143</u>	<u>267,982</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(330,000)</u>	<u>(330,000)</u>	<u>(45,199)</u>	<u>284,801</u>
Net Changes in Fund Balances	(330,000)	(330,000)	(45,199)	284,801
Fund Balances - Beginning	<u>330,000</u>	<u>330,000</u>	<u>391,973</u>	<u>61,973</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 346,774</u>	<u>\$ 346,774</u>

FLEMING COUNTY
NOTES TO OTHER INFORMATION

June 30, 2012

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Capital projects funds and debt service funds are not shown in the Other Information. The Capital Improvement Fund is a capital projects fund and the Public Properties Corporation Fund is a debt service fund.

Note 2. General Fund Reconciliation

Reconciliation To Statement Of Revenues, Expenditures And Changes In Fund Balance

Total Revenues - Budgetary Basis	\$ 2,352,991
Add: Inclusion Of Jail Fund Revenues Per GASB 54	124,856
Add: Lease Payments Made Directly By Sheriff's Office	14,945
Total Revenues - Modified Cash Basis	<u>\$ 2,492,792</u>
 Total Expenditures - Budgetary Basis	 \$ 1,763,283
Add: Inclusion Of Jail Fund Expenditures Per GASB 54	409,248
Add: Lease Payments Made Directly By Sheriff's Office	14,945
Total Expenditures - Budgetary Basis	<u>\$ 2,187,476</u>
 Total Other Financing Sources (Uses) - Budgetary Basis	 \$ (581,000)
Add: Elimination of Transfers From General Fund To Jail Fund	281,000
Total Other Financing Sources (Uses) - Modified Cash Basis	<u>\$ (300,000)</u>
 Fund Balance - Ending - Budgetary Basis	 \$ 590,345
Add: Inclusion of Jail Fund Ending Balance Per GASB 54	2,731
Fund Balance - Ending - Modified Cash Basis	<u>\$ 593,076</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Larry Foxworthy, Fleming County Judge/Executive
Members of the Fleming County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fleming County, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated March 11, 2013. Fleming County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Fleming County Fiscal Court is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Fleming County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fleming County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fleming County Fiscal Court's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Fleming County's financial statements as of and for the year ended June 30, 2012, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation as item 2012-01.

The Fleming County Judge/Executive's response to the finding identified in our audit is included in the accompanying comments and recommendations. We did not audit the Judge/Executive's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a stylized flourish at the end.

Adam H. Edelen
Auditor of Public Accounts

March 11, 2013

**FLEMING COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2012

FLEMING COUNTY
COMMENT AND RECOMMENDATION

For The Year Ended June 30, 2012

STATE LAWS AND REGULATIONS

2012-01 Fiscal Court Should Bid For Projects And Materials When The Costs May Exceed \$20,000

Fiscal Court had been working for the past few years, as funds became available, on remodeling a spec building and developing property at the industrial park for use as the location of the new county road garage. In late FY 2011-2012, the land where the former road garage was located was purchased by the City of Flemingsburg and the property needed to be vacated. The new county road garage at the industrial park was not yet completed. In order to expedite the completion of the new county road garage, materials were purchased and builders were hired without the project being bid. At least one vendor was paid more than \$20,000. KRS 424.260 states that no county may make a contract or agreement for materials, supplies, equipment or contractual services of more than \$20,000 without first making newspaper advertisement for bids. Even though there was some uncertainty about what the total cost of completing the new county road garage would be, it is always in the best interest of the fiscal court to obtain bids when there is potential for costs to exceed \$20,000. We recommend the fiscal court comply with bid for projects and materials when costs may exceed \$20,000 as required by KRS 424.260.

County Judge/Executive Larry Foxworthy's Response: This was a special circumstance and will check further if similar circumstance arises again. This was an ongoing five year project. Portions were built over time. There was no intent to go over bid requirements.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

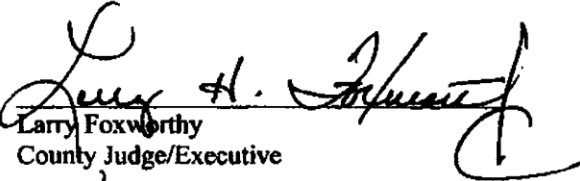
FLEMING COUNTY FISCAL COURT

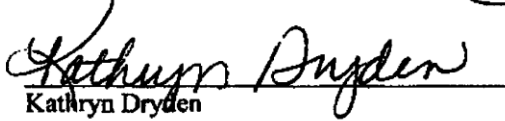
**For The Fiscal Year Ended
June 30, 2012**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
FLEMING COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2012

The Fleming County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Larry Foxworthy
County Judge/Executive


Kathryn Dryden
County Treasurer

